

February 23, 2005

VIA HAND DELIVERY & CERTIFIED MAIL, RRR

Samuel J. Coleman
Director, Superfund Division
6SF
U.S. EPA Region 6
1445 Ross Avenue, Suite 1200
Dallas, TX 75202-2733

RE: Gulfco Marine Maintenance Site in Freeport, Texas (the "Site")

Dear Mr. Coleman:

On behalf of The Dow Chemical Company ("Dow"), LDL Coastal Limited, L.P. ("LDL"), and Sequa Corporation ("Sequa"), (collectively referred to herein as the "PRPs"), we would like to thank you and your staff for taking the time to meet with us this past Wednesday. Although the proposal made by the PRPs to you at that meeting may be viewed as unconventional by Region 6 of the U.S. Environmental Protection Agency ("EPA"), we appreciate your willingness to consider the terms of such a proposal in light of EPA objectives. As explained in this letter, the PRPs are willing, ready and able to investigate and remediate the Site to levels that protect human health and the environment for future use as a commercial/industrial site. Our proposal will allow the work to be performed in an expedited manner, funded entirely with PRP funds and without using EPA's limited resources for oversight.

We believe that this unique approach is warranted at this Site for several reasons. First, we fully anticipate that the Governor's office will formally request that this Site be returned to the State for investigation and remedial supervision within the Texas Voluntary Cleanup Program ("VCP"). We believe it unlikely that you will see similar requests in the future from others. As we have explained, the Site owner and PRPs do not believe this Site should have been listed on the NPL. LDL was a present owner who was fully cooperating with EPA and the State as EPA's contractors; however, LDL was not notified that the Site was being proposed for listing on the NPL nor given reasonable opportunity to address specific concerns at the Site before the Site was listed. The circumstances that gave rise to the situation in this case are not likely to repeat themselves. Further, the Public Health Assessment ("PHA") performed on behalf of the government demonstrates that soils, sediments and groundwater at the Site pose

AUSTIN 215963.3

no public health hazard (potential surface water, seafood and air pathway¹ hazards could not be evaluated based on existing data). To obtain a Certificate of Completion under the VCP will enable the property to be put back into productive use much more quickly than it would under Superfund, with the accompanying liability protections for a subsequent buyer.

Finally, as you know, the cooperating PRPs at this Site include the Site owner, LDL, as well as Dow and Sequa, two global corporations with substantial resources, both of which have significant experience and histories of cooperation with EPA and State environmental agencies. The Site is uniquely poised for redevelopment. To this end, the PRPs hereby commit to the following:

1. Clean-up Commitment and Timeline:

The PRPs commit to achieve appropriate clean-up levels for the Site, which will be undertaken through participation in the VCP. Specifically, we propose to complete all required response actions in accordance with the clean-up standards required for commercial/industrial land use under the Texas Risk Reduction Program (30 TAC Chapter 350). These standards are appropriate because the Site has a history of commercial/industrial use, and its likely future use is commercial/industrial. While the mechanism by which we propose to achieve the clean-up goals may be different than that typically employed at an NPL Site, we believe that we can attain the same result as proceeding under Superfund by performing the prescribed clean-up through the VCP.

We believe this approach to be both legally and technically sound. As we have demonstrated, the Texas Commission on Environmental Quality ("TCEQ") is prepared to accept the Site into the VCP. In fact, as pointed out by Ms. Hardee during our meeting, TCEQ routinely uses the VCP to address sites listed on the Texas Superfund Register. In proceeding under the VCP, the PRPs would be achieving the same standards that would be prescribed under Superfund clean-up. The specific clean-up actions to be completed at the Site, and the time frames in which we will perform, are:

a. Surface Removal— remove the storage tanks and their contents, remove miscellaneous trash and debris including waste materials in the tank containment area - 120 days from the effective date of an agreement between the EPA, TCEQ and the PRPs. We believe this to be an aggressive schedule that will be conducted concurrently with the investigative work.

¹ The Agency for Toxic Substances and Disease Registry did observe that air emissions issues had been associated with past operations. While no historic data were available, the agency noted that such operations are no longer occurring on the site.

b. Completion of the Draft Affected Property Assessment Report ("APAR") within 180 days from the effective date of an agreement between EPA, TCEQ and the PRPs. We believe this work can be accomplished on a single field mobilization, and the time frame reflects that assumption.

c. Submittal of a Response Action Plan (RAP) describing necessary response actions, in accordance with the aforementioned clean-up standards, within 60 days of approval of the APAR by TCEQ.

d. Completion of all response actions in accordance with the time frame established by approval of the RAP. We anticipate that this time frame will not exceed nine months (exclusive of any post-closure activities, such as groundwater monitoring). An approved RAP will present the plan for implementation of the selected remedy for the Site, and is thus, a significant step beyond that accomplished by an RI/FS.

These commitments, if accepted, would result in completion of site cleanup (exclusive of any post-closure activities) in two years, assuming that all TCEQ document reviews/approvals are completed within 30 days of document submittal, that the site conditions and the complexity of the APAR are as expected, there are no major delays due to force majeure (e.g., tropical storm or hurricane) and that response action implementation is not delayed by any permitting/regulatory requirements, such as a US Army Corps of Engineers dredging permit or approval to perform response action activities within or adjacent to wetlands, should such activities be required. We will ask the TCEQ to give priority to the review of reports for this project.

Not only does our commitment achieve the end results of EPA's immediate objective of a Remedial Investigation and Feasibility Study ("RIFS"), but it surpasses this goal. This proposal includes implementation of the prescribed remedy under the VCP and does so in a shorter amount of time than it would take to conduct the RIFS component alone under Superfund. This fundamental difference is a substantial benefit and far exceeds EPA's immediate goals.

2. Financial Assurance:

Dow and Sequa have the financial resources to fund the activities described above. The PRPs have obtained a preliminary estimate of the necessary expenses to achieve the appropriate remedy for the Site. Dow and Sequa are hereby submitting evidence of financial assurance to demonstrate their financial ability to incur these costs (See Attachment A). This assures EPA that sufficient non-Federal funds are available to attain EPA's goals for the Site.

3. Site Redevelopment:


The PRPs commit to preparing the Site for productive reuse. While proceeding with the design, implementation and execution of the above-described activities, the PRPs will do so with the marketability of this desirable property in mind. The PRPs intend to seek a prospective purchaser early in the remediation process. This will ensure that the efforts are consistent with future development of the Site and will also assist in attaining the best possible reuse for the property. Local government will benefit from the return of this property to the tax rolls.

We are prepared to implement this commitment by means of an agreement between the PRPs, EPA and TCEQ, which would authorize an exception to the Memorandum of Agreement between EPA and the TCEQ regarding the VCP, contain enforceable time commitments, preserve EPA's ability to pursue enforcement if the parties fail to comply with VCP requirements, and return the Site to EPA for delisting from the NPL once all appropriate response actions required under the VCP have been implemented. Therefore, the PRPs ask that EPA abate any enforcement action pending consideration of the PRPs' proposal. We believe the PRPs share EPA's ultimate objectives for the Site, and that our proposal will achieve or exceed those goals. We appreciate your thoughtful consideration of our proposal and this commitment to perform and would welcome any further discussion you would be willing to entertain on the matter.

Respectfully submitted,

(Signature pages are hereby submitted in counterpart)

RAMWAY Management, L.L.C.
a Texas limited liability company,
the General Partner of
LDL COASTAL LIMITED, L.P.

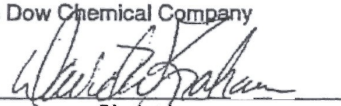

Allen B. Daniels, Manager

Received by Strasburger & Price, L.L.P. on 2/23/2005 2:46:58 PM [Central Standard Time]

Samuel J. Coleman
February 23, 2005
Page 6

The Dow Chemical Company

BY:



Signature

DAVID W. GRANAM

Printed Name

Title:

GLOBAL VP, EHS

Samuel J. Coleman
February 23, 2005
Page 7

Sequa Corporation

BY: Robert L. Iulucci
Signature

Robert L. Iulucci
Printed Name

Title: Vice President, Environmental, Safety & Health

Samuel J. Coleman
February 23, 2005
Page 8

Enclosures

cc: Barbara Nann, US EPA Region 6
Dan Eden, TCEQ
Jackie Hardee, TCEQ
Zak Covar, Office of the Governor
Allen B. Daniels, LDL Coastal Limited, L.P.
James C. Morriss III, Thompson & Knight
Elizabeth Webb, Thompson & Knight
F. William Mahley, Strasburger & Price
N. Tobias Smith, Strasburger & Price
Brent Murray, Sequa Corporation
Scott Magelssen, Dow
Eric Pastor, PB&W
Steve Kilpatrick, Dow
Steve Hazelwood, Dow

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ATTACHMENT A



The Dow Chemical Company
Midland, Michigan 48674

2030 DOW CENTER
April 30, 2004

*****²nd REVISION*****

Mr. Mark Stoebner
Director
Texas Commission on Environmental Quality
12100 Park 35 Circle
Austin, TX 78753

LETTER FROM CHIEF FINANCIAL OFFICER

Dear Mr. Stoebner:

I am the chief financial officer of The Dow Chemical Company, 2030 Dow Center, Midland, Michigan, 48674. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure, post closure, or corrective action as specified in 30 Texas Administrative Code (TAC) Chapter 37 (relating to Financial Assurance).

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and nonsudden accidental occurrences is being demonstrated through the financial test specified in 30 TAC §37.541 (relating to Financial Test for Liability):

<u>EPA ID#</u>	<u>NAME/ADDRESS</u>	
REGION 6		
TXD008092793	The Dow Chemical Company Texas Operations B-1226 Freeport, TX 77541	Sudden = \$2,000,000 Nonsudden = \$6,000,000
TXD000017756	The Dow Chemical Company La Porte Facility PO Box 687 La Porte, TX 77571	Sudden = \$2,000,000 Nonsudden = \$6,000,000
TXR000057414	The Dow Chemical Company Clear Lake Operations 9502B Bayport Boulevard Pasadena, TX 77507	Sudden = \$1,000,000

The firm identified above guarantees, through the guarantee specified in 30 TAC §37.551 (relating to Corporate Guarantee for Liability), liability coverage for both sudden and nonsudden accidental occurrences at the following facilities owned or operated by the following:

<u>REGION 6</u>		
WDW-222	Hampshire Chemical Corp.	Sudden = \$2,000,000
WDW-223	Deer Park Facility 739 Battleground Road Deer Park, TX 77536	Nonsudden = \$6,000,000

The firm identified above is the direct or higher-tier parent corporation of the owner or operator.

1. The firm identified above owns or operates the following facilities in Texas for which financial assurance for closure, post closure, or corrective action or liability coverage is demonstrated through a financial test specified in 30 TAC Chapter 37. The current cost estimates covered by the test are shown for each facility:

REGION 6

TXD008092793	The Dow Chemical Company Texas Operations B-1226 Freeport, TX 77541	Closure = \$64,763,142 Post-Closure = \$24,758,197 Corrective Action = \$138,000,000
TXD000017756	The Dow Chemical Company La Porte Facility PO Box 687 La Porte, TX 77571	Corrective Action = \$4,250,000** (**Per TCEQ plan issued 3/25/04)
TXR000057414	The Dow Chemical Company Clear Lake Operations 9502B Bayport Boulevard Pasadena, TX 77507	Closure = \$803,638

2. The firm identified above guarantees, through a corporate guarantee specified in 30 TAC Chapter 37, the cost for closure, post closure, corrective action, or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates so guaranteed are shown for each facility:

REGION 6

WDW-222	Hampshire Chemical Corp.	Closure = \$209,631
WDW-223	Deer Park Facility 739 Battleground Road Deer Park, TX 77536	Closure = \$209,631
TXD096037932	Johann Haltermann Ltd. Dow Haltermann Houston Jacintoport Plant 16717 Jacintoport Boulevard Houston, TX 77015	Closure = \$270,871

3. In States where TCEQ is not administering the financial requirements of 30 TAC Chapter 37, this firm, as owner, operator, or guarantor, is demonstrating financial assurance for the closure, post closure, or corrective action of the following facilities through the use of a test equivalent to a financial test specified in 30 TAC Chapter 37. The current cost estimates covered by such a test are shown for each facility:

REGION 1

CT001159730	The Dow Chemical Company Allyn's Point Route 12 Gales Ferry, CT 06335	Closure = \$161,055
NHD048724173	Hampshire Chemical Corp. 2 East Spit Brook Road Nashua, NH 03060-5633	Corrective Action = \$143,980

REGION 9

CAD076528678	The Dow Chemical Company Pittsburg Plant PO Box 1398 Pittsburg, CA 94565	Closure = \$873,672 Post-Closure = \$1,499,604 Corrective Action = \$36,521,439 Groundwater Treatment Plant Closure = \$140,909
CAD009547050	The Dow Chemical Company Torrance Plant 305 Crenshaw Torrance, CA 90503	Closure = \$437,183

4. The firm identified above owns or operates the following facilities for which financial assurance for closure, post closure, or corrective action, is not demonstrated either to TCEQ, a federal agency or a State through the financial test or any other financial assurance mechanisms specified in 30 TAC Chapter 37 or equivalent State mechanisms. The current cost estimates not covered by such financial assurance are shown for each facility:

None.

5. This firm is the owner or operator or guarantor of the following facilities for which financial assurance is being demonstrated under other EPA regulations or state programs authorized by EPA through a financial test or guarantee. The following amounts have not been included in Paragraphs 1 through 4.
- (a) Municipal solid waste management facilities under 30 TAC Chapter 330, 40 CFR part 258 or equivalent: None.
 - (b) Underground injection control facilities under 30 TAC Chapter 331, 40 CFR part 144 or equivalent: None.
 - (c) Petroleum underground storage tank facilities under 30 TAC Chapter 334, and 40 CFR part 280 or equivalent: None.
 - (d) PCB storage facilities under 40 CFR part 761 or equivalent: None.
 - (e) Hazardous waste treatment, storage, and disposal facilities under 30 TAC Chapter 335, 40 CFR parts 264 and 265 or equivalent: \$99,199,272

REGION 4

GAD045929643	The Dow Chemical Company Dalton Plant 1468 Prosser Drive, SE Dalton, GA 30720	Post-Closure = \$3,745,525
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REGION 5

MID000724724	The Dow Chemical Company MI Division/MI Plant 1261 Building Midland, MI 48674	Closure = \$80,643,259 Post-Closure = \$2,185,199
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MID980617435	The Dow Chemical Company MI Division/Salzburg Plant Salzburg & Waldo Roads Midland, MI 48640	Closure = \$6,504,960 Post-Closure = \$1,404,982
 REGION 6		
LAD008187080	The Dow Chemical Company Louisiana Division PO Box 150 Plaquemine, LA 70764	Closure = \$3,924,277 Post-Closure = \$463,891
LAD020597597	Angus Chemical Company Sterlington Facility PO Box 1325 Sterlington, LA 71280	Closure = \$109,681 Plugging & Abandonment = \$217,498

(f) Additional environmental obligations not shown above: None.

Total (a) - (f) \$99,199,272

This owner, operator, or guarantor has not received an adverse opinion, a disclaimer of opinion, or a going concern qualification from an independent auditor on its financial statements for the latest completed fiscal year.

This firm is required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year. The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk (*) are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 2003.

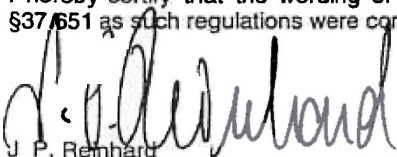
PART B. CLOSURE, POST CLOSURE, CORRECTIVE ACTION, AND LIABILITY COVERAGE

ALTERNATIVE II

- | | | |
|-----|--|-------------------|
| 1. | Sum of current closure, post closure, and corrective action cost estimates (total of all cost estimates listed above) | \$372,242,224 |
| 2.. | Amount of annual aggregate liability coverage to be demonstrated | \$8,000,000 |
| 3. | Sum of lines 1 and 2 | \$380,242,224 |
| 4. | Current bond rating of most recent issuance and name of rating service | A- (S&P) |
| 5. | Date of issuance of bond | November 22, 2002 |
| 6. | Date of maturity of bond | November 15, 2007 |
| *7. | Tangible net worth (if any portion of the current cost estimates is included in total liabilities you may add that portion to this line) | \$5,370,000,000 |
| *8. | Total assets in the U.S. (Required only if less than 90% of assets are located in the U.S.) | \$22,602,000,000 |

- | | <u>YES</u> | <u>NO</u> |
|--|------------|-----------|
| 9. Is line 7 at least \$10 million? | X | |
| 10. Is line 7 at least 6 times line 3? | X | |
| *11. Are at least 90% of assets located in the U.S.?
(If not, complete line 12) | | X |
| 12. Is line 8 at least 6 times line 3? | X | |

I hereby certify that the wording of this letter is identical to the wording specified in 30 TAC §37.651 as such regulations were constituted on the date shown immediately below.



J. P. Reinhard
Executive Vice President
And Chief Financial Officer
The Dow Chemical Company

April 30, 2004

cc: Michele Osmun, The Dow Chemical Company, 2030 Dow Center, Midland, MI
Steve Beisser, The Dow Chemical Company, La Porte, TX
Alan Booth, The Dow Chemical Company, Freeport, TX
Barbara Partridge, The Dow Chemical Company, Pasadena, TX
Kar Shah, The Dow Chemical Company, Deer Park, TX
Gary Spaid, Johann Haltermann Ltd., Houston, TX

NOTE: Please direct all correspondence related to this letter to Michele Osmun, 2030 Dow Center, Midland, MI 48674. Phone (989) 636-5581 or Fax (989) 638-9636.



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
The Dow Chemical Company
Midland, Michigan

We have performed the procedures included in the Code of Federal Regulations, Title 40, Part 264, Section 143, which were agreed to by the Environmental Protection Agency, the Texas Commission on Environmental Quality, and The Dow Chemical Company ("Dow"), solely to assist the specified parties in evaluating Dow's compliance with the financial test option as of December 31, 2003, included in the accompanying letter dated March 22, 2004, from Mr. J.P. Reinhard, Executive Vice President and Chief Financial Officer of Dow. Management is responsible for Dow's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and related findings are as follows:

We recomputed from, or reconciled to, the audited consolidated financial statements of Dow as of and for the year ended December 31, 2003, on which we have issued our report dated January 29, 2004 (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the change in method of accounting for derivative instruments and hedging activities to conform to Statement of Financial Accounting Standards No. 133; an explanatory paragraph relating to a change in method of accounting for goodwill to conform to Statement of Financial Accounting Standards Nos. 141 and 142; and an explanatory paragraph relating to a change in method of accounting for stock-based compensation to conform to Statement of Financial Accounting Standards No. 123), the information included in items 7, 8 and 11 under the caption Alternative II in the letter referred to above and noted no differences.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the accompanying letter dated March 22, 2004. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the board of directors and management of Dow and the specified parties listed in the first paragraph, and is not intended to be and should not be used by anyone other than these specified parties.

March 22, 2004

Member of
Deloitte Touche Tohmatsu

Sequa's Attachment A to follow under separate cover.